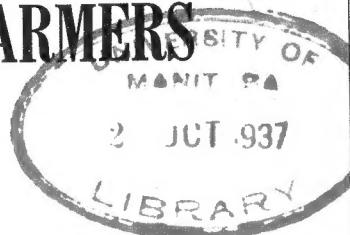


338.1
H87Wh

WHY THE STATE SHOULD INTERVENE TO HELP THE FARMERS



MEMORANDUM

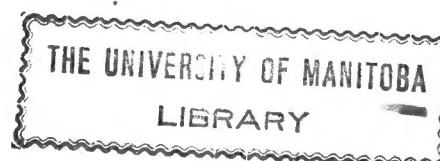
presented to

THE ROYAL GRAIN INQUIRY
COMMISSION

By
J. T. HULL

ON BEHALF OF

MANITOBA CO-OPERATIVE
CONFERENCE



ACCESSION NUMBER

49081

OCTOBER 1, 1937

Why the State Should Intervene to Help the Farmers

MEMORANDUM

PRESENTED TO THE ROYAL GRAIN INQUIRY COMMISSION
ON BEHALF OF MANITOBA CO-OPERATIVE
CONFERENCE

By J. T. HULL

MANITOBA Co-operative Conference, on behalf of which this memorandum is submitted to the Commission, is a body first formed in 1927 and incorporated under the Manitoba Co-operative Associations Act in 1931, the membership of which consists of the major agricultural co-operative organizations of the province, in detail the following for the year 1936:

Manitoba Pool Elevators; Manitoba Co-operative Poultry Marketing Association; Manitoba Co-operative Dairies; Winnipeg District Milk Producers' Co-operative Association; Manitoba Co-operative Livestock Producers; Canadian Co-operative Wool Growers; Manitoba Co-operative Wholesale Limited; Wawanesa Mutual Insurance Company; The Co-operative Promotion Board; Manitoba Vegetable and Potato Growers' Co-operative Association.

The purpose and the work of the Conference is to bring the co-operative organizations together for mutual assistance and support; to co-ordinate and secure efficiency and economy in the work of promoting co-operation and co-operative ideals in the province, and to be the contact body for similar organizations in Canada or elsewhere. The Conference is interested in the production and marketing of grain from the standpoint of co-operative principles and practice and the well-being of the western farmer in the Canadian economy.

The system of marketing wheat which prevails today is generally called the "free market system" and as it is often described by its advocates and defenders as the best possible system it is important that we should clearly understand all that it implies. The theory of the open market in which free competition produces an equitable price equilibrium was more popular among economists up to the middle of last century than it is today, and it resulted in the extravagant optimism that by the operation of unrestrained and unrestricted competition and by every man following without impediment his own intelligent self-interest, product would exchange for product, money would be merely an intermediary of convenience, goods would create a demand for goods and there would therefore be no over-production—could be no over-production—and all goods would exchange at cost, thus eliminating all profit. Ultimately, according to John Stuart Mill, industry would reach equilibrium, population would become stationary and all economic progress in the sense of a pursuit of wealth would cease—a prospect, however, which did not worry Mr. Mill because he thought that what was lost in the pursuit of wealth would be gained in the pursuit of a fuller life. In such manner was the free market, competition, and the pursuit of self-interest to solve all social problems and ultimately usher in the better day. The theory is still expounded by certain kinds of social optimists.

It is not our intention to examine this "magnificent theory" as it has been called, but it is necessary to point out that when people talk about the value of a free market it is important to discover if there is in practice a market which meets all the requirements of the economic doctrine of the free market.

The marketing of wheat, economically, is simply an extension of the process of production and the factors involved in moving wheat into the channels of consumption are no more important to the wheat producer than those involved in the work of growing and harvesting it. A free market for the wheat grower means not only the free play of all economic factors in the process of marketing but the free play of all economic factors in the processes of growing the wheat.

On the one side of the farmers' operations there is the greatest approximation to the free market system in the whole economy of Canada. With hundreds of thousands of small producers, each producing all he can, and competing with each other in selling their wheat—and other products—there is at least a substantial part of the free market requirement. The prevailing system, during the last six years, has undoubtedly benefited the consumer as the classical idea of a free market assumed; to the producer, however, it has meant disaster and ruin. Abundance certainly operated for him as the classical economists said it would—in the elimination of profit.

Why? Because the free market was not functioning as an economic whole. If it had, then all prices would have descended as the price of wheat descended. The theory of the free market demands such a free play of competition as to keep all prices in a definite relationship, otherwise competition could never bring about an order of economic justice or the state of economic equilibrium envisaged by John Stuart Mill. If wheat went down to ten cents a bushel, the theory said, the farmer wouldn't be hurt because all other prices would fall proportionately and a loaf of bread would probably cost one cent. In that way there would be no danger of over-production and the wealth of nations would reach the optimum.

As we have said, the idea of the free market was and is a magnificent theory never at any time or place translated into practice. "Make the market as 'free' as it could be made if an economist from Vienna became dictator of the world," says G. D. H. Cole, "he will not be able to make it the 'free market' of his ideal. That 'free market' may exist inside the covers of a textbook: its conditions may allow of the most beautifully elaborate diagrammatic or algebraical presentation: it may be made far more fascinating than a chess-problem or an acrostic. What it cannot do is to exist and operate in the world of everyday business." (Economic Planning, page 86.)

Economic and industrial practice instead of following the idea of the free market has evolved along the line of administered or controlled price. Industry has organized into trusts, combines, and cartels with price fixing as one of their purposes; governments have stepped in and fixed prices for quasi-public utilities; trade unions have stiffened the resistance of labor to flexible wages; tariffs have raised insuperable obstacles to free market prices; legislatures by various forms of social legislation have created discriminatory economic conditions; the development of finance has made impossible that flexibility in the money market without which there can be no free market price. But all of this increasing rigidity in the economic order operates to the disadvantage of those thousands of competing producers on our farms. It has abolished completely, for them, freedom with re-

pect to all the economic factors involved in the business of agriculture while the nature, the customs and the traditions of the business keep it operating as though there were a free market. That is the economic tragedy of our agriculture—and it can be illustrated from very recent experience.

In January, 1935, the secretary of the United States Department of Agriculture submitted to the United States Senate a document prepared by Gardiner C. Means of Columbia University, entitled "Industrial Prices and Their Inflexibility." The following table taken from this document shows the relation between price level and production for certain industries from 1929 to the spring of 1933:

	Permanent drop in prices	Permanent drop in production
Agricultural implements	6	80
Motor Vehicles	16	80
Cement	18	65
Iron and steel	20	83
Auto tires	33	70
Textile products	45	30
Food products	49	14
Leather	50	20
Petroleum	56	20
Agricultural commodities	63	6

translate { This table shows that the greater the degree of control of production of the commodity or commodities the greater the resistance to a decline in price. In the free market system and under complete competition decreased demand is translated into decreased prices; in the system of control, decreased demand is translated into decreased production. So we see the two extremes—the agricultural implement industry with great control drops production 80 per cent. and encounters a drop of only 6 per cent. in prices; the farmers encounter a drop of 63 per cent. in prices for farm produce because their production is decreased only 6 per cent.

With 1929 as basis, statistics published by the League of Nations show the following comparative decline in industrial production and prices as at 1932:

	Decline in Production	Decline in Price
United States	46.2 per cent.	29 per cent.
Canada	41.9 per cent.	27 per cent.
Germany	46.7 per cent.	28 per cent.
United Kingdom	16.5 per cent.	7 per cent.

Statistical Year Book 1935-36, Table 107.
World Economic Survey, Page 87.

In the same period agricultural production maintained an increase of three per cent. and agricultural prices declined as much as 58 per cent. in Canada, 57 per cent. in the United States, and 49 per cent. in Argentina, while in European countries where governments intervened to shelter their farmers the decline was less; in Germany 35 per cent., in Italy 37 per cent., and in Great Britain 28 per cent. (World Economic Survey 1935-36, page 86).

The following table taken from World Economic Survey 1935-36, page 91, shows the movement of prices as between cartelised and non-cartelised products in Austria, Germany and Poland, the only countries apparently for which such statistics are available:

BASE: 1929—100

	<i>Austria</i>	
	Cartellised	Free
Lowest Point	90 (IX. 31)	69 (IX. 32)
Most recent date in 1936	94 (II. 36)	77 (V. 36)

	<i>Germany</i>	
	Cartellised	Free
Lowest Point	78 (III. 35)	46 (VII. 32)
Most recent date in 1936	79 (III. 36)	64 (VI. 36)

	<i>Poland</i>	
	Cartellised	Free
Lowest Point	70 (I. 36)	50 (VI. 35)
Most recent date in 1936	70 (VI. 36)	53 (VI. 36)

In most countries drastic government action was taken to lessen the gap between agricultural and industrial prices and while in the United States the ratio between the price received by the farmer and the price he paid dropped from 91 in 1929 to 58 in 1933, in Germany, by means of tariff and price fixing, in approximately the same period the ratio was maintained at 82. (The Great Crisis. Varga, P. 155).

These tables clearly show that the more the output is adjusted to purchasing power, the less the fall in price. In other words, price is maintained by creating scarcity, whereas farmers destroy price by creating abundance. But according to the free market theory production should not have been curtailed; all industrial plants should have continued producing as the farmers did; the price of all economic factors—interest, salaries, wages—should have declined correspondingly and as a consequence the whole world would have benefited by the abundance of material wealth. And, we would observe, the only possible justification there can be in any equitable sense for the free market is that it operates universally in that fashion and is a blessing to mankind.

That, however, is not the system we have today. There is no free market nor anything approaching a free market for wheat or anything else. "Free market" is merely a customary phrase and corresponds to no reality. We talk as if the market were free and all that is really meant by it is that it is comparatively free for some interests to operate in a certain way in certain circumstances, which is something decidedly different to the economic concept of the free market.

It may be said, however, that the market should be free in an economic sense and that the farmer should not be under any handicaps or disadvantages of an economic character. Let us see what that would involve. It would mean the free movement and operation of every economic factor which enters into the process of agricultural production. Is that at all possible today? Can we suppress trade unions, abolish fair wage standards, repeal minimum wage legislation so as to allow all wages to be rigorously determined by demand and supply in the labor market? Can we abolish all contractual rates of interest and all undertakings and agreements among financial institutions with regard to interest rates? Is it possible to provide for the free flow of gold internationally and for the free use of gold to bring about the necessary adjustment in international finance and prices? Can we prohibit all trusts, combines and cartels with their price fixing policies and the gentlemen's

agreements among wholesalers and retailers by which competition is mitigated or eliminated? Can we persuade legislatures to repeal all social and industrial legislation, regulation and inspection which ultimately are charges upon industry; to abolish all tariffs, quotas, licenses and import regulations and to permit competition to reign supreme? These things would have to be done to create the essential and indispensable element of flexibility of economic factors required for the proper functioning of a free market, and the mere enumeration of them is, we believe, enough to demonstrate the truth of our contention that there is not for the production of wheat or anything else in Canada (or elsewhere) an economically free market.

What then are the conditions under which the farmer operates? The growing of wheat, for example, costs money; wheat is not a gift of nature. The farmer in the business of growing wheat incurs certain necessary costs—the wear, tear and operation of machinery, power and labor, taxes, the living expenses of himself and family, and so on. Costs are shares in the price of the product distributed before the price is realized. The costs of the farmer are thus income to others; every expense of the farmer is an income to somebody else—the implement manufacturers, oil companies, merchants, elevator companies, grain dealers, railway companies, banks, farm workers. The farmer is thus merely a part of a great economic machine and the perfect working of the machine requires the perfect meshing of its parts. There should be, therefore, perfect meshing between these costs paid out by the farmer and the price received for the product.

Everyone realizes that there is not that perfect meshing. The costs of the farmer, in the main, are amounts paid to interests the price of whose product or service is more or less fixed. Manufacturers maintain their prices, as we have shown, by limiting supply to effective demand, that is, by maintaining relative scarcity; handling and transportation charges are related to cost of the service and fixed by authority; interest on capital loans is either fixed by contract or by custom; taxes are an arbitrary imposition by the government. Practically everything which the farmer must buy with which to work or by which to live is enhanced in price by a protective tariff or by monopoly above a free, competitive, market price. It would be difficult to find any cost in the production of wheat which is set in a market ruled as much by competition as the market in which the farmer sells his wheat, and this condition is the result of certain deliberate government policies and monopolies which the modern economic trend creates.

Thus the farmer has no alternative in the matter of costs; for all practical purposes they are fixed for him by his economic environment and into this environment these costs pass from the farmer as income and purchasing power. If all the conditions of the economic theory of the free market were fulfilled these costs would be recovered in the price of the product and to the extent that they are not so recovered they constitute a subsidy to every interest to which the costs are income. In other words, in the free market of economic theory, cost of production cannot, except by accident, exceed the price of the product.

We reach, therefore, the following conclusions:

1. That in the present economy the major costs of agriculture are fixed for the farmer and not by him, by conditions which are socially created, that is, by governmental and economic agencies.
2. These conditions include what are virtually guarantees of costs to other economic interests.

- These costs to agriculture are income to these other agencies and represent in total a purchasing power sufficient to buy the total product at cost of production.

On the other hand the farmer is at a decided disadvantage in the selling of his product. Supply, in his market, means the total produced for the market and it is offered to a small but well organized group of buyers with each producer competing as a seller. He has no reservation price; he must performe take what is offered to him. He knows he must sell all he has for sale, but he does not know the price he is going to get.

When an implement manufacturing company puts a binder on the market it does not know how many it is going to sell, but it does know what price it is going to get. Supply for it is the number of binders it will put out if the demand is there at the right price. The difference in the two cases is this: In the case of the farmer price is determined by the supply; in the case of the manufacturer supply is determined by the price.

We would like to emphasize this significant difference between the marketing conditions in the case of wheat and the marketing conditions in the case of industrial products.

The former is an atomistic system, a warring of individuals in which the process is guided and controlled by the impersonal forces of supply and demand and the price represents decisions of a large number of buyers and sellers.

The latter is a collective system in which the price is the decision of an administrative group and is maintained by adjusting supply to demand by a rational calculation of demand.

To the extent to which administrative price setting is effective to that extent it imposes a handicap upon those involved in the system of competitive price setting.

It is a self-evident proposition that no industry can continue producing if the product continues to sell below cost of production; it is not so evident in the case of farming where it is possible to lower the costs at the expense of the life of the farm family. When industry goes into the red the industrialist goes bankrupt; when the farmer goes into the red he moves the peg lower in his standard of living and becomes for the world an involuntary philanthropist.

This is shown in figures of comparative costs on the farm published by the Dominion Bureau of Statistics in Prices and Price Indexes 1913-35, page 178, from which the following is computed:

Living and operating costs of farmers in Saskatchewan and Alberta, 1934, compared with a normal year, that is, a year between 1927-29.

	Saskatchewan		Alberta	
	1934	Normal	1934	Normal
Living costs	\$ 532	\$1,090	\$ 608	\$1,231
Operating costs	730	1,755	835	1,454
	<hr/>	<hr/>	<hr/>	<hr/>
	\$1,282	\$2,845	\$1,443	\$2,685

Note.—To living costs normal we have added sums to cover health, culture, education, insurance, miscellaneous, on the same proportionate rate as other items show, these items being omitted in the comparison of the Bureau.

It should be stated that these figures do not include interest payments on mortgages or agreements of sale, nor any provision for losses and accidents which are inevitable on every farm.

These costs may be compared with the Bureau's estimate of the gross agricultural revenue for these provinces for 1934 and the average for 1927, which we have reduced to the average per farm, taking for both years the number of occupied farms according to the census of 1931.

	1934		1927	
	Costs	Revenue	Costs	Revenue
Saskatchewan.....	\$1,282	\$ 968	\$2,845	\$3,000
Alberta	1,443	1,554	2,685	3,389

Comparing the five year period 1926-30 with the period 1931-35 the gross agricultural revenue for the three prairie provinces has declined from \$3,526,313,000 to \$1,590,725,000—more than 50 per cent. The decline in each province was as follows: Manitoba from \$622,565,000 to \$285,047,000; Saskatchewan from \$1,661,-413,000 to \$631,012,000; Alberta from \$1,242,335,000 to \$674,666,000.

This decline in the gross revenue of the farmers of the prairie provinces is an amount sufficient to pay off the total provincial bonded indebtedness of the three provinces, the total bonded municipal indebtedness, the total mortgage indebtedness of the farmers with enough left over to finance the three provincial governments for the next twenty years with the suspension of all existing taxation.

These estimates of costs and revenues show very clearly what western agriculture has endured during the period we call the depression, and endured, in the main, because the costs of agriculture did not decline proportionately with the decline in the price of agricultural products. In other words, this loss to agriculture is the measure of the disadvantage it is under in the spread between competitive prices and administered prices.

It is a pungent commentary upon the kind of economic order which has evolved in western civilization that while an inquiry like this is deemed necessary in order to ascertain how an essential article of food produced in western Canada and in demand throughout the world may be effectively marketed, other inquiries are demonstrating that millions upon millions of people are not receiving a daily regular diet which is adequate for health, strength and well-being.

An inquiry instituted in the United States and worked out by dietetic experts and agronomists in the United States Department of Agriculture revealed, with respect to agricultural production, that if every person in the United States could have a thoroughly adequate diet, it would be necessary to bring under cultivation 40,889,000 acres more than were under cultivation in 1933, or 22,391,000 more than the average under cultivation for the five years 1928-32. The details of the increased production over the average for 1928-32 that would be necessary, are illuminating; they include: An increase of 76 per cent. in dairy cattle; 43 per cent. in beef cattle; 68 per cent. in veal calves; 22 per cent. in hogs; 42 per cent. in sheep and lambs; 36 per cent. in poultry. It would be necessary to increase the acreage under vegetables by 204 per cent.; under citrus fruits and grapes 112 per cent., and under small fruits 282 per cent. True, the acreage under wheat in this dietetic plan would be reduced 57 per cent., but that would simply remove the United States completely out of the international wheat market.

Lest it be assumed that the cost of this diet is extremely extravagant we add that it amounts to \$12.75 per week for a family of five, and statisticians of the United States say that only 21 per cent. of the people can afford that amount for food. (Reference—Your Meals and Your Money, Hambridge, page 152).

Similar research in England has recorded similar results. This research was conducted by the Rowett Institute in co-operation with the Market Supply Committee with assistance from specialists. The report prepared by Sir John Boyd Orr shows that if all the people in the United Kingdom enjoyed a regular diet fully adequate for health and well-being it would necessitate an increased supply of 80 per cent. in milk; 41 per cent. in butter; 55 per cent. in eggs; 124 per cent. in fruit; 87 per cent. in vegetables; 29 per cent. in meat. Only 10 per cent. of the people of Great Britain can afford that fully adequate diet costing per family of five about the same as the corresponding diet in the United States. Fifty per cent. of the people in Great Britain cannot afford a diet costing more than approximately six or seven dollars a week for a family of five. (Reference: Food, Health and Income, Sir John Boyd Orr, page 30).

Similar investigations are being conducted under the direction of the League of Nations and the publications of that body to date on the subject of nutrition reveal a condition like that prevailing in Great Britain and the United States in every so-called civilized nation. The diet in the lower income groups, as might be expected, in every country is not of the kind to build a robust, healthy, disease resisting body. The world as a whole is deplorably underfed.

In his report to the 19th session of the International Labor Conference, the Director of the International Labor office said:

The cares of the American, Argentinian, Australian, Canadian or eastern European farmer would be conjured away if the urban populations of Europe and America could eat even a little more bread, butter and meat per head.

The knowledge that has recently been gained with regard to nutrition indicates that a vast improvement can be made in the health, physique and general well-being of the people, and this knowledge coming as it does at a time of vastly increased powers of agricultural production, demands the most careful attention of statesmen and public men. It is one of the things that should be included in national economic and social programs and should form part of the policies designed to bring the nations into greater mutual usefulness.

For more than thirty years the organized farmers of western Canada have maintained that they were placed under a heavy handicap by having to produce within a protective system and to market in a world competitive system. Professor Norman Rogers in a memorandum prepared for the Royal Commission Economic Inquiry of Nova Scotia, estimated the enhancement of prices in the three prairie provinces owing to the tariff, in 1931, as follows: Manitoba \$29,185,740; Saskatchewan \$29,228,285; Alberta \$27,909,396; a total of \$86,323,421, of which the major part must have fallen upon the farm population. The cost of the tariff to western Canada in the last thirty years is certainly not less than \$1,000,000,000.

Governing bodies in Canada have been generous in giving financial aid to industries and railways. Figures contained in the Canada Year Book 1936 show total cash grants to railways as \$224,644,000. Land grants of 47,406,078 acres must easily have brought \$200,000,000. Subsidies to mining and manufacturing amount to approximately \$25,000,000 since 1911. To all these subventions must

be added the largesse from municipalities to industries in the form of cash bonuses, free sites, tax exemptions or reductions, free power and water or special low rates, a form of public support for private enterprise almost peculiar to Canada. Once and once only has a cash subsidy been paid to the western wheat grower. In 1932-33 a bonus of five cents a bushel on all wheat marketed was paid amounting to \$12,719,901. In this connection we desire also to include the stabilization operations on the wheat market as bringing benefit to the farmers.

We are not citing these financial aids to secondary industry by way of protest but merely to show that agriculture has plenty of precedent for a claim for direct public support as a matter of public policy. And certainly western agriculture is under a unique handicap at the present time and deserving of direct aid if it be the public policy to preserve agriculture. Canada is desperately concerned about markets in countries in which the economic trends are definitely against us. We are seeking to sell wheat in countries in which we have the following conditions:

1. Population is declining or is not increasing as formerly.
2. Consumption of wheat is not increasable due to dietary habits and the stress of modern dietitians on the protective foods.
3. Policies of national self-sufficiency in food supplies.
4. Increasing use of agricultural machinery, fertilizers and new methods encouraged by scientific education by agricultural colleges and government departments is leading to greater production from a given area.
5. Systematic organization of production and distribution of farm products under special legislation.
6. Reduction of imports for various reasons, some more likely to be permanent than others.
7. The dominating fear of war.

This adverse condition is made worse by the severe competition among wheat exporting countries and the tendencies indicate that this competition may become even more acute if, for example, a big crop were to be harvested on the North American continent.

As co-operators we do not believe that the situation can be made easier by more and still more competition. We do not believe that obstacles should be raised to the bringing of the fruits of men's labor into the service of humanity, but we believe that the most effective way of providing for the flow of useful goods is by co-operative and not competitive action. Competition is exceedingly apt to create distress by unduly cutting prices and to bring about misunderstandings which threaten the comity of nations. By co-operation, arrangements and adjustments can be made which create conditions of fairness and the feeling of equality which gives all the social meaning there is to the idea of freedom.

There has been more talk of co-operation since the Great War than at any time before it. Statesmen and economists, sociologists and publicists, have stressed the dominant need for co-operation as the way out of world chaos and predict catastrophe if it be not adopted by the nations. We are for co-operation one hundred per cent. but we do not mean by co-operation a futile effort to reconcile conflicting interests but the positive transformation of like interests into common interests, and we contend moreover that civilization itself is measured by the extent to which the like interests of men have been transformed into common interests.

It has been said that a mistake was made by the farmers in western Canada in going into co-operative marketing before substantially developing co-operative purchasing and that both theoretically and historically consumers' co-operation precedes other forms. This is not correct either theoretically or historically. Co-operation is mutual aid and is a factor in the whole of life's processes. The forms it takes in human society are determined by the historical conditions; forms of mutual aid exist in the most primitive communities. Consumers' co-operation began as a means of saving capital with which to go into co-operative production; even the famous Rochdale pioneers planned to build houses, to manufacture goods, to operate farms and to establish "a self-supporting home colony of united interests." The extortions of usurers led to the organization of co-operative credit associations in Germany many years before there were any consumers' co-operatives. The ideal of Robert Owen, who is often regarded, but erroneously, as the founder of modern co-operation, was co-operative production and he was somewhat contemptuous of co-operative retail stores. In Russia before the revolution, co-operative production developed alongside consumers' co-operation and even now 3,000,000 Russian craftsmen work in 30,000 co-operative factories and workshops, turning out a large variety of goods mainly by hand labor.

It is a false social dichotomy to divide society into producers and consumers as though there were some men with only hands with which to work and others with only mouths to be filled. Theoretically, if not practically, all men are producers and all are consumers; it is as human beings desirous of achieving some conscious common purpose that they act co-operatively.

It is thus just as reasonable for men to co-operate to market goods they have produced as to co-operate to purchase goods they need. The nature of the co-operative action is determined by the consciousness of common needs at a particular time and place. We may designate the different forms of co-operative action with which we are mainly concerned in the following manner: A commercial co-operative is an association of individuals organized for some common commercial service. Co-operative production is the pooling of the labor of the individual members of the association; co-operative marketing is the pooling of the products of the labor of the individual members; co-operative purchasing is the pooling of the purchasing power of the members; co-operative credit is the pooling of the monetary savings of the members. There is, however, an important difference in the purpose and the effects of co-operative purchasing and co-operative marketing. The policy of a consumers' society is to buy as cheaply as possible. Operating within the framework of a capitalist order it must do that or perish in competition. The policy of a marketing co-operative is to get the best price possible; it must do that in a capitalist environment or perish in competition. Not until the environment is changed will it be possible to overcome entirely this conflict of purpose.

The consumer co-operative fulfills its mission of saving through volume and the patronage dividend, but not by lowering prices; only the patrons can benefit from the organization because only the patrons receive the patronage dividend.

A marketing co-operative must also have volume in order to exercise some control on the marketing and, if possible, maintain fair prices. But to the extent that such control is effective it affects the whole range of prices in the market and consequently the non-member is benefited as well as the member. There is thus a point in voluntary co-operative marketing at which the incentive upon an indi-

vidual to become a member begins to diminish; he finds he can enjoy the advantages of the association without assuming any of the responsibilities of membership. This is the great drawback in co-operative marketing and because of it governments in many countries have intervened and have either invested marketing associations with wide powers of control of the commodity or have set minimum prices or have restricted competition. Whatever the policy adopted it has proceeded from a candid realization of the fact that voluntaryism is not enough and that as in nearly every other relation within a democratic community the public welfare must be served through majority control. Co-operators would, of course, prefer the voluntary form of association, but as we are compelled with regard to co-operative marketing to choose between ineffective voluntary co-operation and effective co-operation with some compulsion, we choose the latter.

It is in that sense that we support a wheat board controlling the whole commodity in preference to a voluntary association controlling only a portion of it.

We are definitely opposed to the marketing of wheat through a speculative competitive market. We believe with the economist, Van Wieser, that: "The speculator builds his nest in a completed market. It is never his intention to contribute anything by way of improving relations between the supply and the demand. His highest goal is reached when he can gather in his profit. He triumphs without taking pains to find goods, assume their possession or deliver them to others. His entire effort is directed to the simple goal of the most proximate gain. Although as a matter of legal interpretation his actions cannot be construed as gambling, none the less the one passion which prompts them is that of the gambler."

We oppose this system for the following reasons:

1. It makes competing units of the 250,000 farmers in western Canada, sets farmer against farmer in the economic sphere and thus frustrates efforts directed toward the betterment of farm life.
2. Its aim is purely the making of profit and in pursuit of that aim it is indifferent to the effect upon agricultural life.
3. It is subject to control by the powerful or astute and can be manipulated for their special benefit.
4. It gives to the producer no bargaining power and no reservation price, and no influence in the market except by way of withholding his wheat, which to the great majority of farmers is simply a counsel of perfection.
5. It creates no contact between the producer and the actual user of his product and thus provides no opportunity for co-operation for mutual benefit.
6. It cannot function efficiently except by practices which are indistinguishable from gambling. Speculation in wheat by the general public is, in fact, simply a form of legalized gambling and it is deploitable to think that the world's finest food cannot be brought to the table of the consumer without resort to the methods of the casino.

In the light of the conditions, domestic and foreign, which we have related and in which the wheat of western Canada is grown and sold, we recommend:

1. The organization of wheat marketing in a single marketing agency which shall have control of the entire supply and its flow to market, which shall operate on the pooling principle, and which shall be adequately representative of the producers.

2. The setting of a minimum price which shall be the initial price paid by the marketing agency.
3. The establishment of a system of crop insurance based upon the principles of social insurance, and which shall cover all crop hazards including the minimum price set by the marketing agency.
4. Such modifications of the tariff and of trade policy as are calculated to reduce the cost of the things the farmer must purchase and which will at the same time encourage the development of foreign trade and create a demand for Canadian wheat.
5. An investigation in Canada, similar to those which have been undertaken in other countries, to ascertain the dietary conditions among the people and the possibility of increasing the consumption of protective foods, with a consequent diversion of production from wheat.
6. Vigorous and continuous efforts designed to bring about such a measure of co-operation among both exporting and importing countries as will eliminate competitive methods which are ruinous to the agriculture of exporting countries and equally a menace to the agriculture of importing countries, and which by removing fear and restoring confidence will contribute materially to the comity of nations.

THE UNIVERSITY OF MANITOBA
LIBRARY

